

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 IO-13 CIAE-00 DODE-00 PM-04 H-01 INR-07  
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06  
ACDA-07 TRSE-00 SAJ-01 /079 W  
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R 111300Z FEB 77  
FM AMEMBASSY MOSCOW  
TO SECSTATE WASHDC 4069  
INFO USMISSION BERLIN  
AMEMBASSY BONN  
AMEMBASSY LONDON  
USMISSION NATO  
AMEMBASSY PARIS

C O N F I D E N T I A L MOSCOW 1985

EO 11652: GDS  
TAGS: EEWT GW UR WB  
SUBJECT: FRG-SOVIET RELATIONS

REFS: (A) 76 BONN 18342, (B) 76 MOSCOW 16933, (C) 76 BONN 18047

SUMMARY: FRG-SOVIET WORKING GROUP AND COMMISSION TO MEET IN  
LATE MARCH, WITH BERLIN ISSUE LIKELY TO ARISE IN SAME FORM AS  
1976. GERMAN EXPORTS TO USSR DECLINED SLIGHTLY IN 1976, BUT  
SOVIET EXPORTS WERE ONE-THIRD HIGHER. PRICE TAG FOR KURSK  
PROJECT NOW APPEARS TO BE ABOUT DM 13.5 BILLION. END SUMMARY.

1. AT FEBRUARY 10 MEETING OF WESTERN E/C COUNSELORS, GERMAN  
EMBASSY ECONOMICS MINISTER STUELPNAGEL ADVISED THAT NEXT  
MEETING OF FRG-SOVIET COMMISSION IS SCHEDULED FOR MARCH 28  
IN BONN, WITH SOVIET FIRST DEPUTY PREMIER TIKHONOV AT HEAD  
OF THE SOVIET DELEGATION. COMMISSION SESSION IS TO BE PRECEDED  
BY MEETING OF COMMISSION'S WORKING GROUP, STARTING MARCH 21.  
STUELPNAGEL FURTHER STATED THAT SAME BERLIN OFFICIAL AS  
INVOLVED IN LAST FALL'S IMBROGLIO WILL PROVIDE AN ECONOMIC  
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FORECAST IN THE WORKING GROUP SESSION. HE APPEARED TO  
ANTICIPATE THAT THIS WOULD LEAD TO A SIMILAR SOVIET REACTION  
AND THAT MEETING OF COMMISSION WAS THEREFORE MUCH IN DOUBT.

2. FRG EXPORTS TO USSR DECLINED BY 2.8 PERCENT IN 1976,  
ACCORDING TO STUELPNAGEL, WHILE SOVIET EXPORTS INCREASED BY  
34 PERCENT. FINAL STATISTICS WILL SOON BE AVAILABLE.

3. CONCERNING KURSK PROJECT, STUELPNAGEL INDICATED THAT PRICE TAG FOR ALL FOUR SEPARATE PROJECTS (PELLETS, BALL BEARINGS, ELECTRONICS AND DIRECT REDUCTION) HAS RANGED BETWEEN A SOVIET OFFER OF 6.5 BILLION DM AND A GERMAN ASKING PRICE OF 20 BILLION DM. SOVIETS HAVE BEEN REDUCING THEIR WISH-LIST, IN VIEW OF LATTER, AND EVEN SEEM TO BE HAVING SOME SECOND THOUGHTS ABOUT THEIR EARLIER READINESS TO PAY CASH FOR 1.2 BILLION FIRST STEP OF PHASE ONE. IN DISCUSSION OF THIS STUELPNAGEL EXPLAINED THAT ENTIRE FIRST PHASE WOULD COST ABOUT DM 9 BILLION AND REPRESENT ABOUT TWO-THIRDS OF COST OF ENTIRE PROJECT. (WHEN HIS AUDITORS REACHED LOGICAL CONCLUSION THAT TOTAL PRICE TAG MIGHT REALLY THEN BE IN AREA OF DM 13.5 BILLION, STUELPNAGEL APPEARED SOMEWHAT EMBARRASSED.) HE STATED THAT SOVIETS STILL HAVE OPTION OF LETTING GERMANS ARRANGE PARTS OF PROJECT NOT DIRECTLY COVERED BY CONTRACT BUT, IN TONS OF IRONY, ADDED THAT "AFTER THE SPLENDID EXPERIENCE OF KAMAZ", THEY WOULD PROBABLY CHOOSE TO LET GERMANS DO THE SUBCONTRACTING. SO FAR, HOWEVER, THE RUSSIANS HAVE NOT RECOGNIZED THE NECESSITY OF PAYING THE GERMANS IF THE LATTER ARE TO GUARANTEE THAT THE ENTIRE MASSIVE PROJECT WILL WORK. HE ALSO STATED THAT SIXTY SOVIET ENGINEERS WILL BE GOING TO COLOGNE IN CONNECTION WITH THE KURSK PROJECT'

4. STUELPNAGEL STATED THAT FRG HAS PREPARED PRE-BELGRADE PAPER FOR EC-9 ON SUBJECT OF INDUSTRIAL COOPERATION. THE GERMAN PAPER REBUTS THE SOVIET ARGUMENT THAT HELSINKI FINAL ACT PUTS BLESSING ON SUCH COMPENSATION PROJECTS AS BUY-BACK BY WESTERN SELLER OF COMMODITY PRODUCED IN PLANT OR WITH EQUIPMENT IT HAS SOLD TO THE EAST. HE STRESSED IMPORTANCE FRG  
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ATTRIBUTES TO THIS AND ASKED EC STATES REPRESENTED AT MEETING (ALL BUT LUXEMBOURG) TO BACK GERMAN ARGUMENTATION. THERE WAS NO REACTION BY THE OTHERS.  
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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Disposition Approved on Date:**  
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**Disposition Date:** 22 May 2009  
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